UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/AC.96/885/Add.1
27 August 1997

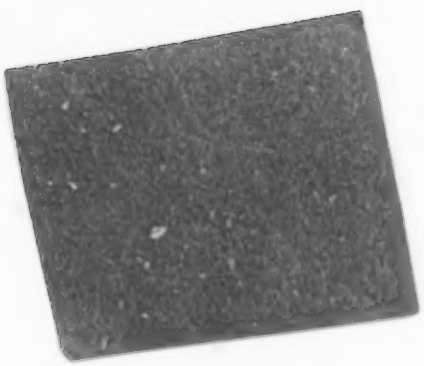
Original: ENGLISH

EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Forty-eighth session

REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES FOR THE PERIOD ENDED 31 DECEMBER 1996

Addendum 1 - Measures taken or proposed in response to the recommendations in the Report of the Board of Auditors to the General Assembly on the Accounts of the Voluntary Funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 1996.



GE.97-02569

I. INTRODUCTION

1. In accordance with paragraph 10 of General Assembly resolution 47/211 of 23 December 1992, the following is a report on measures taken or to be taken by UNHCR in response to the Recommendations of the Board of Auditors, as contained in the main part of their Report (A/AC.96/855). Unless indicated otherwise, all references in the text relate to this document.

Financial management

II. RECOMMENDATION 10 (a)

2. UNHCR should ensure that audit certificates are submitted by the implementing partners in sufficient time for the Administration to have the necessary assurance about the regularity, compliance and propriety of the expenditure incurred by the implementing agencies and reflected in the financial statements (see paragraph 26).

Measures Taken by the Administration

As a first step to ensure that audit certificates are submitted by the implementing partners, UNHCR decided to make the Audit Certification clause mandatory for all the projects as of 1 January 1997. Furthermore, as described in the conference room paper EC/47/SC/CRP.48, UNHCR is now proposing to differentiate the requirements between the various categories of implementing partners for audit purposes. The Office feels that the proposals represent a practical and cost effective approach to the important issue of audit certification. Linked to the revised audit certification requirements, UNHCR is establishing a comprehensive NGO database which will include financial information about the NGOs, in particular their ability to comply with UNHCR's reporting and audit requirements. This database will also help project managers in the selection of implementing partners.

With regards to the timing of the submission of audit certificates, every effort will be undertaken to obtain these as early as possible after the project termination date. It is, nevertheless, unrealistic to think that this will be before the end of the first half of the year, as most of the agencies have their accounts audited after the first quarter of each year, due to the fact that the liquidation of obligation period allowed by UNHCR is often three months.

III. RECOMMENDATION 10 (b)

3. UNHCR Administration should urgently review the present system of recording of expenditure by implementing partners. The Administration should also ensure that all outstanding financial reports are received from implementing partners and are used for adjusting the funds lying in the memorandum suspense account in the Financial Management Information System after proper verification of these reports (see paragraph 28).

Measures Taken by the Administration

UNHCR continues to experience difficulties in obtaining financial reports from some implementing partners, in spite of frequent reminders to them

asking for prompt submission. The organization is taking a number of steps to address this issue.

The organization has recently commenced the process of defining its systems requirements in order to implement new operational systems in the field and at Headquarters. An important part of this process will include a review of the accounting practices, reporting mechanisms and requirements relating to implementing partners. It is expected that this review will lead to a complete re-definition of the reporting requirements and procedures of our implementing partners, and the putting in place of the necessary tools to allow them to report back to UNHCR more easily and more promptly.

More immediately, a newly created Project Unit within Financial Services will have as one of its main tasks the timely follow-up and recording of implementing partners' financial reports. New exception reports have recently been created to assist the Unit in its efforts. The work of this Unit will go a long way in addressing the problem highlighted by the auditors.

IV. RECOMMENDATION 10 (c)

4. UNHCR should focus more attention on timely review and cancellation of obligations no longer required (see paragraph 39).

Measures Taken by the Administration

The new Project Unit mentioned above will, *inter alia*, review obligation levels and ensure that obligations are cancelled as soon as they are no longer required.

Programme management

V. RECOMMENDATION 10 (d)

5. Programme delivery and administrative support costs in the budgets of various country programmes should be reviewed and norms should be established (see paragraph 50).

Measures Taken by the Administration

As described in conference room paper EC/47/SC/CRP.53, Programme Delivery and Administrative Support costs were recently reviewed for each country programme for the period 1994 through to 1996 inclusive, and the variations in these costs, as compared to programme (operational) activities, were analysed for the same period. The conference room paper gives explanations for increasing costs, and indicates proposals currently under consideration to give a more realistic picture of UNHCR's Programme Delivery and Administrative Support costs.

Another measure taken by the Administration includes a recent decision to cap General Programmes posts at the 1 January 1998 levels, requiring that all new needs be met through existing posts.

VI. RECOMMENDATION 10 (e)

6. Project objectives should be clearly defined and quantified so that there is no conflict between objectives and inputs and the executing agency has a clear idea of the targets to be achieved at the end of the project period (see paragraph 53).

Measures Taken by the Administration

UNHCR's programme management system is based upon the principle of planning by objectives and all activities included in Letters of Instruction and subsequent sub-agreements should be linked to objectives which are clearly identifiable. Care and Maintenance programmes for both refugees and the internally displaced will often include objectives which appear rather broad. This is the nature of this type of assistance, which can often include a wide range of activities and serve more than one set of beneficiaries. However, it is the responsibility of all UNHCR offices which prepare sub-agreements to ensure that implementing partners are fully aware of the results they are expected to achieve.

In the programming system currently used by UNHCR, management by objectives is not always rigorously applied. The new UNHCR Operations Management System will place much greater emphasis on working by objectives in all stages of programme planning and implementation.

VII. RECOMMENDATION 10 (f)

7. Pending the introduction of the new operations management system, preparation of work plans should be strengthened and made more programme specific and include appropriate performance indicators (see paragraph 61).

Measures Taken by the Administration

UNHCR encourages individual field offices to establish work plans either on a operation-wide basis or with specific implementing partners whenever this is deemed useful by the offices concerned. Many UNHCR activities do not lend themselves readily to the use of work plans, at least as such plans are normally used. The formulation of such plans for each Letter of Instruction did not prove beneficial and is therefore no longer mandatory. UNHCR is reluctant to, at this point, re-introduce a requirement that, in its present form, would soon become redundant through the implementation of the new Operations Management System (OMS). The latter will require offices to organize their activities on the basis of objectives and establish a plan and design on this basis, thereby introducing a much closer link between objectives and the monitoring of their implementation. UNHCR will, nevertheless, in its instructions concerning 1998 programming, remind all concerned offices and units of the importance the auditors have placed on work plans and the related performance indicators. Lessons learnt from this exercise will, of course, be incorporated into the OMS.

VIII. RECOMMENDATION 10 (g)

8. Sub-project descriptions should be specific with clear identification of the nature of assistance and the implementing partners responsibilities and

should include appropriate performance indicators for the purpose of monitoring (see paragraph 58).

Measures Taken by the Administration

The Financial and Management Information System used by UNHCR requires a very close link in project documents between the attached budget and the narrative which describes activities. While this link facilitates financial monitoring, it does not always lend itself easily to comprehensive and clear description of all activities. This is a recognized weakness which will be addressed in the new Operations Management System. Pending implementation of the new system, and as noted above, UNHCR will, in its instructions concerning 1998 programming, stress the necessity of reinforcing the link between activities, responsibilities and the related monitoring mechanisms.

IX. RECOMMENDATION 10 (h)

9. The Administration should intensify its efforts to obtain project monitoring reports (see paragraph 70).

Measures Taken by the Administration

UNHCR accepts this recommendation which reflects a genuine problem. There are a number of reasons why financial reports are not submitted in a timely manner. These include budgeting in more than one currency, expenditure in more than one location, inadequate staffing by implementing partners, central consolidation of financial data by implementing partners' headquarters and lengthy procedures involving the closure of projects. The last mentioned is due, in part, to the level of detail required by some donors. UNHCR is now taking steps to screen potential implementing partners in light of their ability to produce timely financial reports. The new budgeting process/structure will also seek to simplify the exchange of financial data between UNHCR and its partners to facilitate more rapid reporting.

X. RECOMMENDATION 10 (i)

10. UNHCR should establish procedures to ensure that quick impact programmes generate results within a limited period (see paragraph 74).

Measures Taken by the Administration

Quick Impact Projects (QIPs) established by UNHCR have proven very beneficial in many areas of the world, particularly in the context of rehabilitation and reintegration programmes, but there is certainly no guarantee that each effort will be successful. Such projects are often inherently more difficult than development projects. In some countries, security problems and/or the considerable lack of implementing capacity make it extremely difficult to undertake meaningful programmes. UNHCR does not continue to attempt such projects year after year when constraints are excessive. The most difficult element in the planning and implementation of such projects is the selection criteria used and the choice of implementing arrangements. When the criteria are appropriate and good partners are available, QIPs usually generate the desired result. UNHCR has undertaken a review of selected QIPs programmes and will issue guidelines on their implementation. Furthermore, a Reintegration and Self-Reliance Unit has been created within the Programme

and Technical Support Section to provide multi-sectoral support to reintegration operations and self-reliance programmes. As well as being the focal point at Headquarters for practical cooperation with the development and lending institutions, the Unit will also provide managers responsible for reintegration operations with assistance in programme design for, and the implementation of, such operations, ensuring that lessons learnt from past reintegration operations are taken account of in the design of new programmes which, in many cases, include QIPs.

Procurement

XI. RECOMMENDATION 10 (j)

11. The progress already achieved in obtaining annual purchasing plans from field offices should be taken forward by covering even more field offices (see paragraph 76).

Measures Taken by the Administration

Annual Procurement Plans are submitted as part of the annual budget exercise that is completed by every field office. Instructions for the 1998 purchasing plans will be issued to the field in October 1997 for reply in the following month. The instructions will emphasize the importance of timely and well prepared plans. The format of the plans will be revised to take into account the experiences of prior years.

Human resources management

XII. RECOMMENDATION 10 (k)

12. The Administration should issue guidance to all field offices and requesting units at Headquarters on the need to prepare the terms of reference of the consultancy contract in a more precise and output-related manner, and to include objectives, targets and delivery dates with deliverable/measurable outputs (see paragraph 85).

Measures Taken by the Administration

A memorandum has been sent to all field offices and requesting units at Headquarters to remind them of the need to adhere to certain basic principles in the recruitment of consultants.

XIII. RECOMMENDATION 10 (l)

13. Within its decentralisation plans, UNHCR should ensure that a central roster is maintained with up-to-date information (see paragraph 90).

Measures Taken by the Administration

Within the decentralization plans, UNHCR intends to develop software that will ensure that personnel information can be updated at Headquarters and in the field and that access to this information will be world-wide. Although information in the roster will be held in a central data bank, it will be

able to be updated by sections/units responsible for input on technical qualifications.

Asset management

XIV. RECOMMENDATION 10 (m)

14. The MINDER system should be upgraded to enable electronic transfer of data from the procurement system to the asset management system (see paragraph 107).

Measures Taken by the Administration

UNHCR has noted the recommendation, which it accepts, and informed the Board that, since UNHCR is now engaged in renewal of its corporate systems at Headquarters and in the Field, it is reluctant to invest any additional funds for the upgrading of present systems. While it is clear that the Asset Management system (MINDER), the Procurement system and FMIS are incompatible, the Board's recommendation can only be implemented as part of the development and implementation of UNHCR's new integrated computer system.

XV. RECOMMENDATION 10 (n)

15. Physical verification of all assets, including those not recorded into the system, should be completed expeditiously (see paragraph 113).

Measures Taken by the Administration

The dispatch to field offices of bar-code readers will be completed by the end of September 1997. All field offices have been requested to undertake a complete physical verification of all assets by the end of 1997. The reports should be available during the first quarter of 1998.